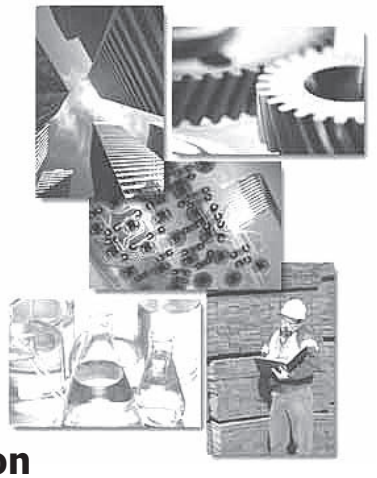
That was then, This is now. . .



by Lecia Parks Langston

NAICS Focuses on Worksites

Often a company performs different activities at different locations. For example, WalMart owns lots of stores scattered throughout Utah selling lots of merchandise. That particular activity means WalMart is classified in **Retail Trade**. BUT, WalMart also operates a large distribution center in Washington County. Believe me, no one is selling anything there, except maybe in the break room. They are warehousing merchandise and redistributing it throughout the western United States.

Under the old SIC, or Standard Industrial Classification system, WalMart's stores and its distribution center were all classified in the same industry (**Retail Trade**)—despite the fact that the distribution center is really doing "trucking and warehousing" work. In other words, both the parent company and all its worksites were painted with the same coding brush—regardless of their function.

Enter the new NAICS, or North American Industrial Classification System. This new coding structure classifies parent companies and their worksites according to activity that actually occurs at each particular place of business. Under NAICS, WalMart's stores continue to be classified as "**Retail Trade**," while the distribution center gets a new classification in "**Trucking and Warehousing**."

Why did the NAICS creators decide to change the system? Basically, this way of coding worksites helps us to better understand the activity which is occurring in the economy. For example, WalMart's distribution center in Washington County employs hundreds of individuals. Under the old system, you might think that Washington County had a few hundred more retail salespersons than it actually had—and of course, fewer truck drivers and warehouse workers than is the case.

Of course, when economists, business people, planners and just plain folk have a better knowledge of the economy's functioning, they can make better economic decisions.